

# Iowa Department of Human Services

## Offer #401-HHS-005: Child Care

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This offer is for: (choose one)		This offer includes the following appropriations:
	New activity	Child Care, General Administration, Field Operations
<b>X</b>	Status quo existing activity	
	Improved existing activity	

### **Result(s) Addressed:**

#### **Increase in number of children served monthly in Child Care Assistance**

Primary Results: Improve Iowans' health

- Improve quality of life
  - Strengthen and support families

Secondary Results: Improve student achievement

- Secure and nurturing families
  - Family stability
- Safe and supportive communities
  - Availability of affordable care for dependents

#### **Increase percent of CCA expenditures for children that are served in regulated settings**

Improve Iowans' Health

- Improve quality of life
  - Safe & healthy living environments for children, including children with special needs

Secondary Results: Improve Student Achievement

- Secure and nurturing families
  - Family stability
- Safe and supportive communities
  - Availability of affordable care for dependents

#### **Access to quality child care providers - Increase number of registered child development homes**

Primary: Improve Iowans' health

- Improve Quality of Life
  - Safe & healthy living environments for children, including children with special needs

Secondary Results: Improve student achievement

- Great learning environments
  - Access to programs - financial
  - Program effectiveness - technical assistance
  - Standards - licensing, safety

- Ready-to-learn students
  - Health of learners
  - Academic readiness of learner
  - Developmental readiness of learner

### **Increase number of providers at Level 2 or higher in Quality Rating System (QRS)**

Primary: Improve Iowans' Health

- Improve Quality of Life
  - Safe & Healthy Living Environments for Children, Including Children with Special Needs

Secondary Results: Improve Student Achievement

- Great learning environments
  - Access to programs - financial
  - Program effectiveness - technical assistance
  - Standards - licensing, safety
- Ready-to-learn students
  - Health of learners
  - Academic readiness of learner
  - Developmental readiness of learner

### **Program Description:**

#### **Who:**

The Child Care Assistance (CCA) program currently provides child care funding for approximately 20,000 children per month, who live with low-income parents who are working or in school. CCA is an essential support for meeting the TANF work requirements. It is estimated over 41,000 children in total are supported by the program.

DHS regulates and provides consultation to child care centers and child care development homes, which benefits all children in regulated care, whether eligible for CCA or in care with private pay.

The Child Care offer also directs funding to the Child Care Resource and Referral (CCR&R) agencies for parent referrals and provider support and for supporting Iowa's Quality Rating System (QRS), which was implemented in February 2006.

This offer also includes the \$7.35M Empowerment Early Childhood Funds, transferred from TANF, that are distributed based on a formula to Community Empowerment Areas to serve children age 0 to 5 in the community. The offer also includes \$200,000 in TANF that is directed to the child care program to provide training opportunities specifically to registered child development home providers.

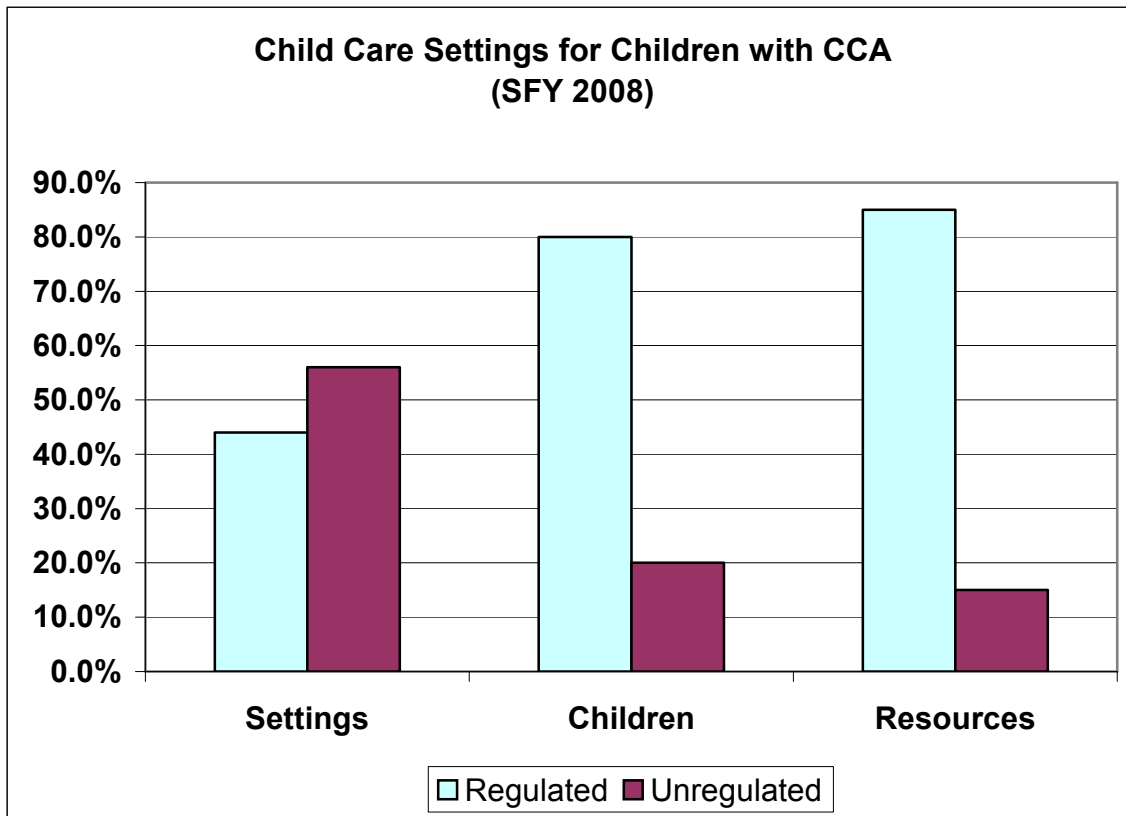
#### **What:**

The Child Care program provides funding for:

- Child Care Assistance: Child Care Assistance (CCA) is an eligibility-based benefit in which a payment is made to an eligible child care provider selected by the parent. The Department provides child care assistance for children whose parents are low-income and are working or in school (including families participating in PROMISE JOBS activities), who are receiving protective child care, or who are in foster care home settings.

In SFY 2008, an average of 21,980 children were served monthly in Child Care Assistance, including children living in families on Promise Jobs and Protective Child Care, a number that has steadily increased over the past five years. Data supports an anticipated average monthly growth of 130 per month in SFY 2009 and in FY 2010.

- Each month, approximately 70% of all children receiving child care assistance do so because their parents are employed, which mirror the data showing 70% of children under six years old have all parents in the home employed and 72% of children 6-11 years old have all parents in the home employed (Kids Count, 2007).
- Approximately 17% of children receiving assistance reside with a family member receiving FIP.
- Effective January 1, 2007, maximum provider rates were increased to the 75<sup>th</sup> percentile of the 2004 market rate survey. The previous rate increase in September of 2005 increased rates to the 2002 market rate levels, from the 1998 level.
- Effective October 1, 2008 the child care assistance rate ceiling for regulated providers was increased by 2%.



The chart above shows the settings where children who qualify for CCA receive care. Even though over 56% of the providers receiving CCA payment are unregulated providers, 80% of the children are in regulated care.

- **Child Care Resource and Referral (CCR&R):** The funding for Child Care Resource and Referral agencies supports parent referral services, technical assistance and training for child care providers, and data/assessment services for community planning.
- **Child Care Regulation:** DHS regulates and provides consultation to child care centers and child care development homes. Regulation of child care facilities includes pre-regulation efforts, licensing and registration, any ongoing monitoring and consultation to child care centers and child development homes, as well as the completion of record checks and evaluations of all persons in contact with children in regulated child care settings, as well as non-registered providers who

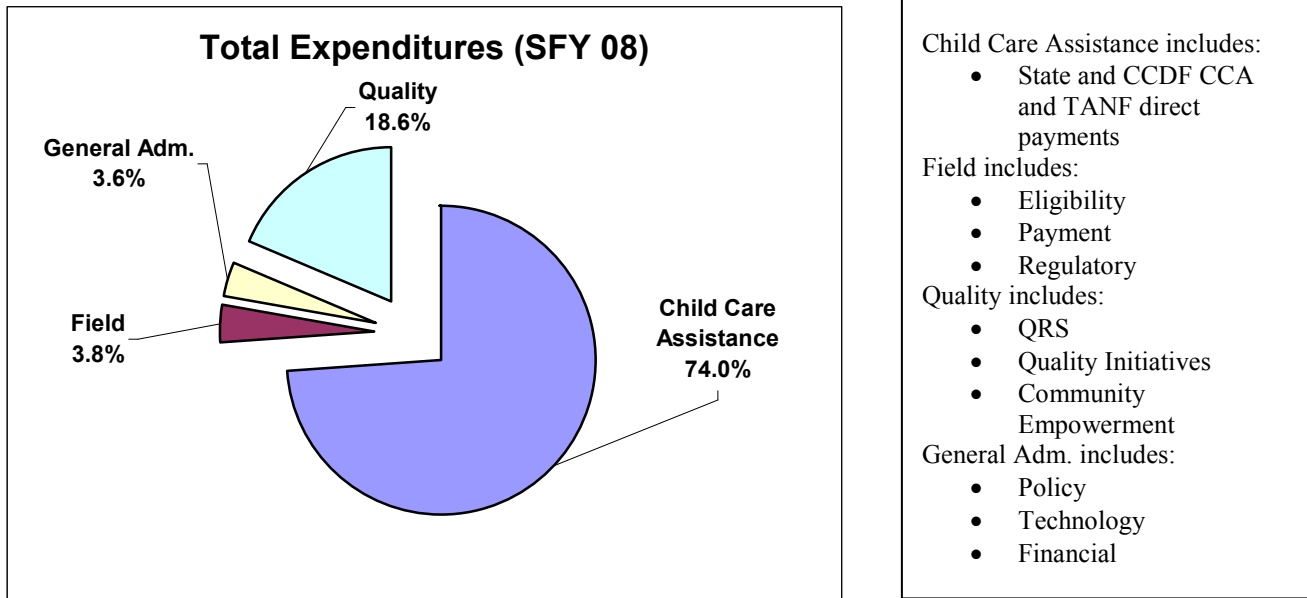
receive payment under the State Child Care Assistance program. Regulation and consultation is provided to approximately 1,500 licensed child care centers, 5,500 child development homes, and record checks for 6,700 non-registered providers paid under the CCA program. Currently, there is:

- One staff to oversee all licensing and registration policy,
- 13 staff to monitor and consult with child care centers.

According to the National Association of Regulatory Administration (NARA), the ratio of staff equivalents to regulated settings should be between 50 –75: 1 staff equivalent. The current ratio for licensed centers is 115:1 and the ratio for registered homes is difficult to determine as there are no staff dedicated solely to this function.

- **Quality Rating System:** The funding for the Quality Rating System supports technical assistance for providers, training, outreach marketing, environmental assessments, the achievement bonuses for participating providers, and administration.
- **Empowerment Early Childhood Funds:** Empowerment funds support community-based efforts to expand the capacity and quality of child care settings for children birth to five.
- **Quality Improvement Activities:** Significant activities to support access to and availability of quality child care settings, funded primarily with federal child care funds, include:
  - Healthy Child Care Iowa, a partnership with the Department of Public Health to improve the health and safety of child care settings.
  - Child care “wraparound” grants that provide full-day, full-year opportunities to over 2,100 children who are being served in high-quality, part-time settings such as Head Start and the state’s Shared Visions preschool programs.
  - T.E.A.C.H. Iowa, a scholarship program for providers seeking post-secondary education to achieve a Child Development Associate certificate, an AA degree and beginning in SFY 2008 a BA degree.
  - Child Business Practices project provides start-up and emergency funding to child care centers and administers training for directors to receive a National Administrator Credential.
  - Expansion of CCR&R services to ensure parents have access to referral services, home providers receive consultation and business training and the CCR&R system has improved data and consistency of service delivery.
  - Iowa’s Program for Infant and Toddler Caregivers (PITC) designed to ensure training and consultation to improve the quality of infant and toddler care.
  - Grants and training to school-age providers.

- The chart below shows how the distribution of expenditures is weighted toward supporting families needing child care assistance for SFY 2008:



### How:

- Eligibility Determination and Payment:** Income Maintenance staff located in the service area offices determine eligibility and payments.
- Regulation:** DHS licenses child care centers and registers child development homes. DHS also completes record checks on legally operating, non-registered providers receiving CCA.
- Management Information System (MIS):** DHS maintains a child care information system that issues payments and sustains Federal claiming, and provides child care related data for field staff, policy makers, Federal reporting, and the general public.
- Child Care Resource and Referral:** Child Care Resource and Referral services are contracted with five regional agencies that sub-contract with community-based agencies to deliver services statewide.
- Child Care “Wraparound” Grants:** DHS contracts with local providers to provide full-day, full year care for children otherwise served in part-time settings and increase the quality of care in those settings.
- Healthy Child Care Iowa:** DHS contracts with the Department of Public Health to improve the health and safety of child care settings.
- Quality Improvement Efforts:** DHS contracts with a host of community-based providers to improve training, consultation and resources available to providers.
- Administrative Supports:** DHS provides administrative support for the Child Care Program, including policy/procedural development, budgeting, contract management, information technology and data management.

## **Offer Description:**

The purpose of this offer is to support the delivery of Child Care Assistance to low-income families to improve family stability and to enable parents to be employed; to regulate child care providers so that children are safe; and to provide oversight and funding for quality improvement services and activities so that children enter school ready-to-learn.

## **Today's Activities and Results:**

- Child Care Assistance (CCA): The State's Child Care Assistance program serves families at 145% of the Federal Poverty Level (FPL), adjusted annually. For a family of 4, this is the equivalent to 45% of State Median Income (SMI).

Beginning July 1, 2007 the Department implemented improved processes to ensure payments are remitted to child care providers, who have submitted accurate billings, within 10 days. During SFY 2008, between 98.21 - 99.7% of accurately submitted billings were remitted within the ten-day time frame.

- Beginning October 1, 2008 the ceiling for registered and licensed child care reimbursement rates were increased by 2% over the current ceiling, which had been set at the 75<sup>th</sup> percentile of the 2004 Market Rate.

The CCA program continues to serve an increasing number of children and families each month.

<b>Monthly Average Caseload</b>	<b>SFY 2007</b> (Average monthly increase of 136 cases per month)	<b>SFY 2008</b> (Average monthly increase of 122 cases per month)	<b>SFY 2009</b> (Estimated monthly increase of 130 cases per month)	<b>SFY 2010</b> (Estimated monthly increase of 130 cases per month)
<b>Child Care Assistance</b>	17,718	19,143	20,101	21,661
<b>Protective Child Care</b>	1,150	1,106	1,106	1,106
<b>PROMISE JOBS Child Care</b>	1,769	1,731	1,702	1,666
<b>TOTAL</b>	20,637	21,980	22,909	24,433

The chart below displays annual revenue and expenditures, as well as carry-forwards from Temporary Assistance for Needy Families (TANF) funds, Child Care Development Fund (CCDF) funds, and state general funds that have been used to fund child care.

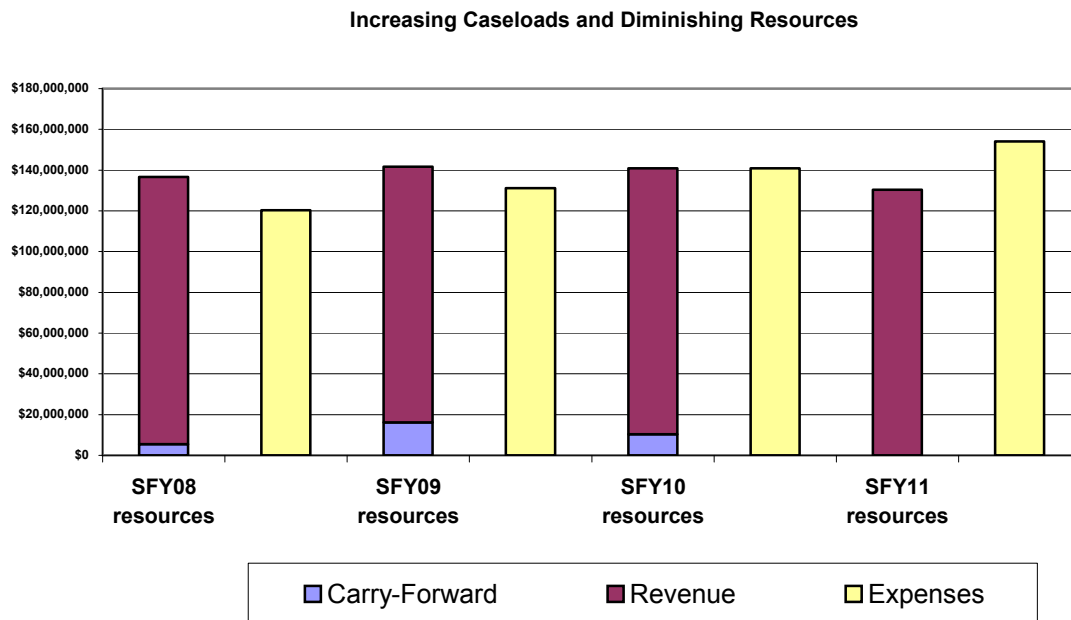
The small amount of carry-forward funds that were available at the beginning of SFY 2008 were expended during the year. To meet the needs for the child assistance program and to provide state carry-forward funds for SFY 2009 the following strategies were employed:

- TANF funding of direct child care expenditures for FIP families was used to free up state general funds which could then be carried forward
- Funds transferred at the end of SFY 2008 from Child Welfare and SCHIP were required to be carried forward

In SFY 2009, a significant State investment was made for child care (\$41.3 million) along with up to \$8.9 million of TANF funds from the FIP program to directly pay child care providers for single-

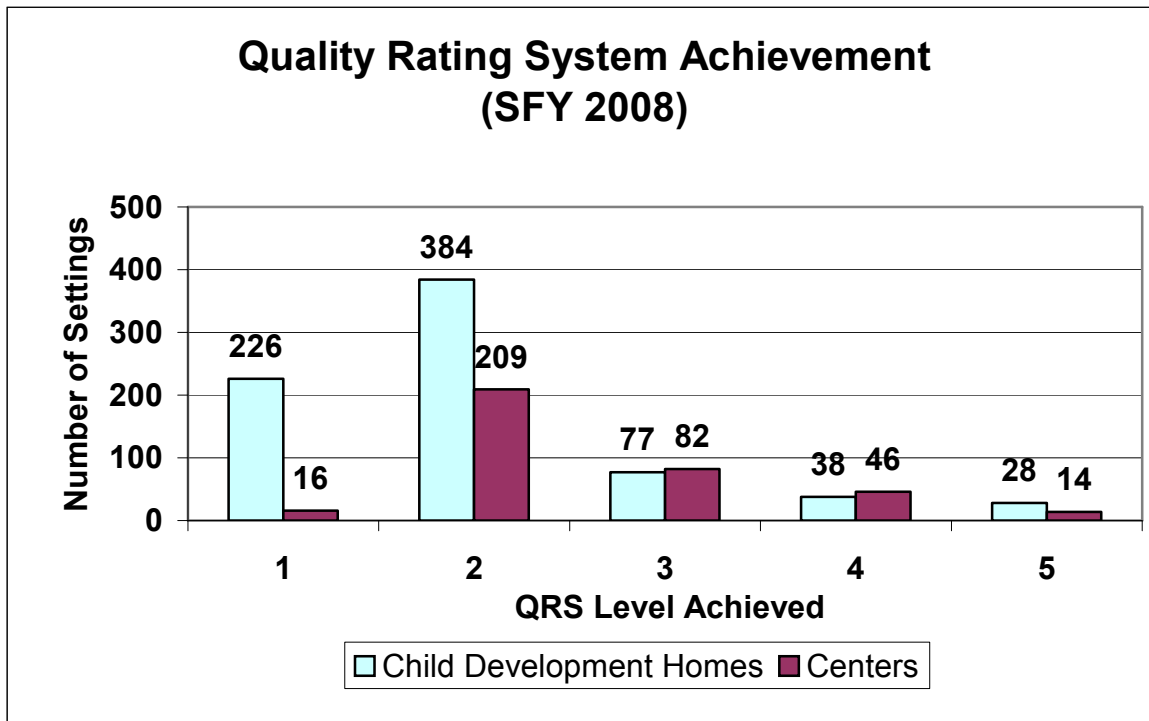
parent, working FIP families who need child care assistance. Lower than expected caseload growth and a projected carry forward from SFY 2009 offsets some of the state general fund need for SFY 2010.

Assuming status quo revenue and without funds to carry forward into SFY 2011 will create a potential \$23.7 million need in state general funds, assuming the current rate of caseload growth and increasing costs per case continues. Revenues include status quo direct TANF funding of \$9,345,000. If that level of TANF funding is not available for SFY 2011, the state general fund need could increase.



Careful monitoring of monthly cases will be required in SFY 2009 and 2010 regarding growth and expenditure estimates.

- Iowa's Quality Rating System (QRS):** Implemented in February 2006, the QRS is a menu of key indicators used to assess the quality of child care. The QRS is a five-star rating system in which providers voluntarily choose to participate. A one star program has maintained compliance with licensing and registration standards. A two star provider has achieved additional training and conducted self-assessments to prepare to move to the next levels of quality. Providers with 3-5 stars have received points in categories related to professional development, health and safety, environments, administration, and family and community partnerships. Funding for QRS supports administration, marketing and public awareness, QRS specialists located in CCR&R offices, environment training and assessments, and achievement bonuses. As of July 2008 over 1,100 certificates have been awarded, with the majority rated a two star program. 26.2% of all child care centers and 14.5% of all child care homes voluntarily worked toward and received a QRS rating. It is anticipated 375 child care providers will seek a rating in SFY 2009.



In SFY 2008, 78% of participating child care providers achieved a QRS rating of 2 or higher.

In SFY 2009, an estimated 1,600 providers are projected to need environment rating scale training, and 375 will receive environment rating scale assessments to enter the program or seek a new rating. It is estimated 1,200 participants will receive an achievement bonus for achieving a level 2 or higher.

In SFY 2010, an estimated 1,200 providers are projected to need environment rating scale training, and 200 will receive environment rating scale assessments. However as providers work on quality improvement activities, the percent of ratings of 2 or higher is anticipated to rise to 85%, increasing the amount of achievement bonuses.

- **Child Care Resource and Referral Agencies:** CCR&R provide referral services to thousands of parents each year who are seeking child care, offer over 30,000 consumer education opportunities, and are the primary source of training and technical assistance for child care providers.
- **Regulation of Child Care Providers:** Regulation of child care facilities supports pre-regulation efforts, licensing and registration, and ongoing monitoring and consultation to child care centers and child development homes. This offer supports the above regulatory efforts, including the completion of record checks and evaluations of all persons in contact with children in child care settings, as well as non-registered providers who receive payment under the State Child Care Assistance program. Regulation and consultation is provided to approximately 1,500 licensed child care centers, 5,500 child development homes, and record checks for 6,700 non-registered providers paid under the CCA program.
- The new child care management information system and child care training registry, called Kindertrack, is anticipated to be fully operational by the end of SFY 2009. All regulatory and child care assistance information will be on the system by DHS. In addition, child care providers, who provide child care assistance services, will be able to bill for those services on-line and any child care provider will be able to view, register for, and keep a record of all completed training on-line as part of their requirements for registration and licensure.

## Reprioritization

In order to continue to provide services at our current service level, it is necessary to reprioritize our current budget obligations. Therefore, this offer reduces costs associated with the Quality Rating System, as follows.

- Reduces funding for public awareness activities by \$23,971
- Eliminates funding for promotional items
- Decreases the number of National Child Care Association training sessions for child care director certification from 10 to 5

## Improved Results Activities

The Department is participating in a coordinated effort across agencies related to early childhood that will focus on additional quality improvement activities related to the early care, health, and education systems. However, beyond the offer request to maintain caseload growth in CCA and the QRS, the Department is not seeking funding for additional activities.

## Offer Justification:

### Legal Requirements:

#### Federal:

Requirements are found in the Code of Federal Regulations for the Child Care Development Fund.

#### State:

The Child Care Assistance program, and DHS regulatory responsibility and quality improvement directions are outlined in Iowa Code 237A. Funding to support Empowerment Early Childhood Funds is also specified in Iowa Code and the DHS appropriations bill.

### Rationale:

#### Strengthen and Support Families

Child care assistance plays a critical role in supporting Iowa's families.

- Many Iowa families need support in securing and paying for quality child care providers. Safe, reliable and affordable child care is the primary support necessary for families to achieve and maintain self-sufficiency.
- Many Iowa working families struggle to find and afford quality care. For families with preschool children, child care is their second highest living expense after a mortgage. An Iowa family with two children spends an annual average of over \$9,000 for child care.
- Almost half of all Iowa families with young children earn less than \$35,000. In Iowa, the number of working parents has created an increased demand for child care, as has the large percentage of Iowans making \$10/hour or less.

The State's Child Care Assistance program serves families at 145% of the Federal Poverty Level (FPL), adjusted annually. To put this in perspective—for a family of four:

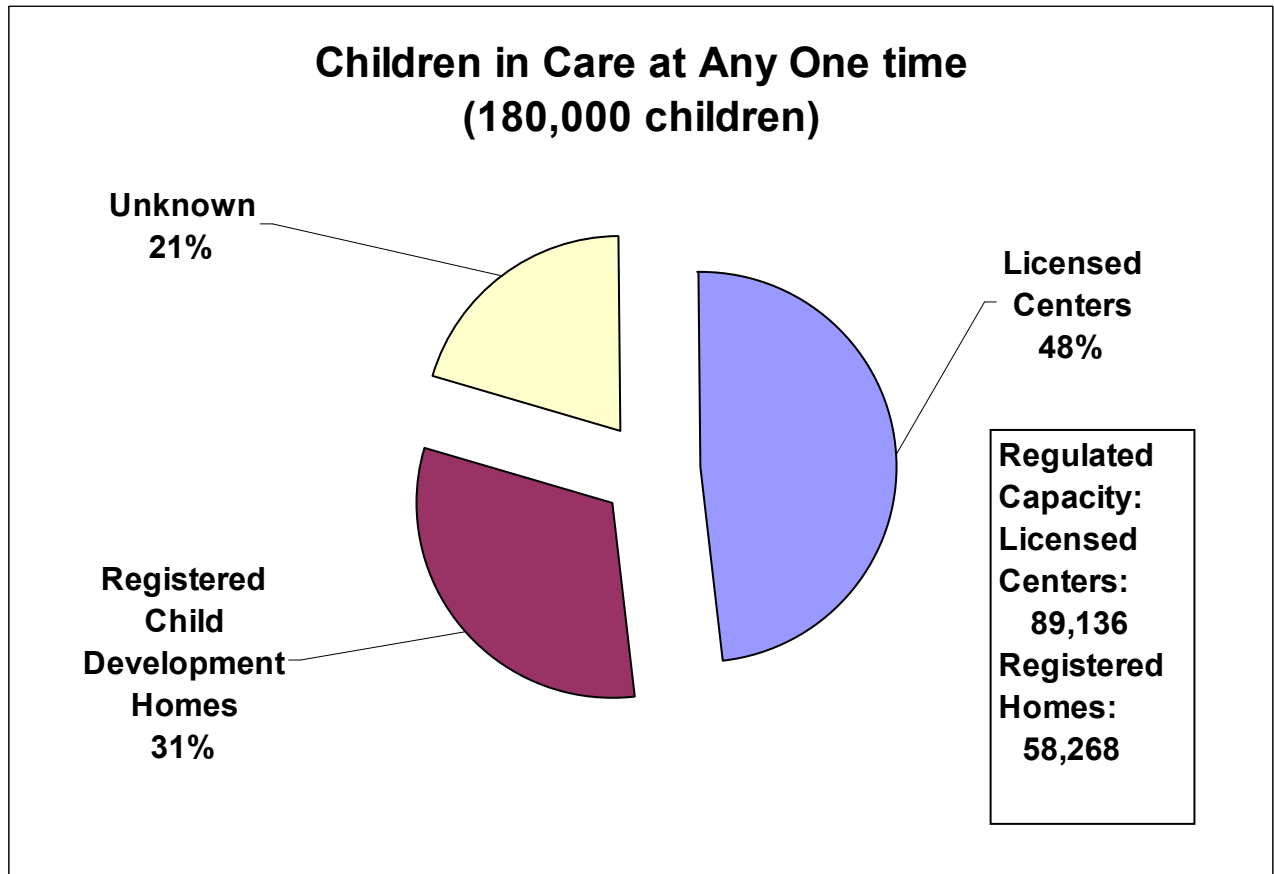
State Median Income (SMI) for Iowa = \$67,792

Current eligibility for child care assistance at 145% FPL = \$30,744

$$\frac{\$30,744 \text{ (145\% of FPL)}}{\$67,792 \text{ (SMI)}} = 45\% \text{ of SMI}$$

### Safe and Healthy Living Environments for Children

Child care regulation and quality improvement activities are designed to ensure that children are cared for in safe and healthy living environments. On any given day, more than 180,000 Iowa children are in some form of child care while their parents work or attend school. Iowa consistently ranks in the top five states in the nation in the percentage of families with preschool children in which all parents in the household are employed and in the percentage of families with school-aged children in which all parents in the household are employed.



- Infant brain research demonstrates that a child's first three years of life are a prime time for brain development. 80% of cognitive development occurs before a child's 3<sup>rd</sup> birthday. Environments that support the stimulation and nurturing of children play a crucial role in developing the full capacity of a child to learn. The caregiver relationship (parent and provider to child) is the single strongest determinant of a child's emotional and social development. Supporting retention of providers to maintain continuity of caregivers is critical for Iowa's youngest children.
- A 2003 study by the Midwest Child Care Research Consortium found that across all forms of care; 18% of providers were in the poor quality range, 49% were in the minimal range, and 33% were in the good quality range.
  - For providers of infant and toddler care in center-based settings; 8% of infant providers were rated as providing poor quality care, 62% minimal quality care, and 30% good quality care.
  - For preschool providers (part-time serving 3 and 4 year olds); 10% were of poor quality, 51% minimal quality, and 39% good quality settings.
- The quality of family child care was significantly higher if the providers were "licensed" or annually monitored than for "registered" providers. Only 9% of "licensed" (pre-license requirements and/or annual monitoring) family providers were observed to be in the poor quality range while 51% were in the minimal range and 40% were in the good quality range. However, nearly half of the registered family providers were in the poor range (48%) with 33% in the

minimal range and 20% in the good range. The figures for license exempt (non-registered care) family care were similar with 50% in the poor range, 33% in the minimal range, and 21% in the good range.

- Finally, we know from research conducted by the High Scope/Perry Preschool Study, that adults born in poverty who participated in a high quality, early childhood program have had fewer criminal arrests, higher earnings and property/wealth, and greater commitment to marriage. From that study, for every dollar that was originally invested, the public received an estimated \$7.16 return on investment over the participant's lifetime.

## Results:

The Department proposes to track the following results related to child care assistance, regulation, and quality:

<b>Result:</b>	<b>SFY 2008 Actual Level</b>	<b>SFY 2009 Projected Level</b>	<b>SF 2010 Offer Level</b>
Increase in average number of children served monthly in Child Care Assistance	19,143	20,101	21,661
Increase the percent of CCA expenditures for children that are served in regulated settings	78%	80%	85%
Access to quality providers - Increase number of registered child development homes	5,373	5,500	5,600
Access to quality providers - Increase number of providers at Level 2 or higher in QRS	978	1,200	1,400

These results assume the level of funding requested in the offer in all appropriations as well as full funding of salary adjustment. If funding is insufficient in either area, results to be achieved will be modified to reflect the impact.